Financial Statements with Supplementary Information

June 30, 2005 and 2004

INDIANA BOND BANK
(A Component Unit of the State of Indiana)

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Independent Auditors' Report

Board of Directors
Indiana Bond Bank

We have audited the statement of net assets of Indiana Bond Bank (a component unit of the State of Indiana) as of June 30, 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements and supplemental schedules of Indiana Bond Bank as of June 30, 2004, were audited by other auditors whose report dated September 30, 2004, expressed an unqualified opinion on those statements and schedules.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of Indiana Bond Bank at June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the 2005 basic financial statements taken as a whole. The 2005 supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2005 basic financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 13, 2005

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Management's Discussion and Analysis

June 30, 2005

This section of the Indiana Bond Bank's (the Bond Bank) annual financial report presents our discussion and analysis of the Bond Bank's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the Bond Bank's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Bonds and notes payable issued during the year totaled $1,357,870,000.
- Repayments of bonds and notes payable totaled $1,508,924,000.
- One hundred and twenty six (126) qualified entities participated in the $537,050,000 Advance Funding Program of 2005 that offered a rate of 2.52%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and notes, as well as, other supplementary information. The Bond Bank follows enterprise fund reporting; accordingly, the financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Bond Bank. These statements are presented in a manner similar to a private business.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the Bond Bank's financial status. The Statement of Net Assets includes all of the Bond Bank's assets, liabilities, and net assets. Assets and liabilities are classified as either current or noncurrent. The Statement of Revenues, Expenses and Changes in Net Assets reports all of the revenues and expenses during the time period. The Statement of Cash Flows reports the cash provided and used by operating activities as well as other cash sources and uses. The financial statements also include notes that explain and support the information in the statements and are followed by a section of supplementary information that further details the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets by program type.

INDIANA BOND BANK
(A Component Unit of the State of Indiana)

Management's Discussion and Analysis

June 30, 2005 and 2004

FINANCIAL ANALYSIS OF THE BOND BANK

The following table is a condensed summary of financial information for the years ended June 30, 2005, 2004 and 2003:

Net assets	**2005**	**2004**	**2003**
Current assets	$ 933,649,435	1,301,059,329	1,485,539,910
Noncurrent assets	2,967,306,636	2,739,001,121	1,776,721,646
Total assets	3,900,956,071	4,040,060,450	3,262,261,556
Current liabilities	954,488,726	1,335,188,654	1,477,664,568
Noncurrent liabilities	2,934,051,019	2,693,302,034	1,772,187,433
Total liabilities	3,888,539,745	4,028,490,688	3,249,852,001
Invested in capital assets	21,217	19,750	16,133
Restricted for debt service	1,373,561	1,125,084	1,995,517
Unrestricted	11,021,548	10,424,928	10,397,905
Total net assets	$ 12,416,326	11,569,762	12,409,555
Revenues, expenses and changes in net assets			
Operating revenues:			
Interest income	$ 157,506,752	122,071,712	100,073,576
Acceptance and administration fees	1,011,600	692,691	768,810
Total operating revenues	158,518,352	122,764,403	100,842,386
Operating expenses:			
Interest	150,237,549	115,853,144	95,479,532
Amortization of debt issuance costs	6,313,340	6,679,452	4,185,707
General and administrative	1,395,827	1,284,098	1,212,313
Total operating expenses	157,946,716	123,816,694	100,877,552
Operating income (loss)	571,636	(1,052,291)	(35,166)
Nonoperating revenues	274,928	212,498	198,313
Change in net assets	846,564	(839,793)	163,147
Net assets - beginning of year	11,569,762	12,409,555	12,246,408
Net assets - end of year	$ 12,416,326	11,569,762	12,409,555

The largest component of current assets is $802,501,541 for 2005, $1,219,505,264 for 2004 and $1,371,146,547 for 2003 in qualified obligations receivable which will be maturing during the upcoming fiscal year. The decrease in 2005 is almost entirely a result of a lower balance outstanding on the Advanced Funding Note program and Warrant Program Assistance Notes. The programs had $415 million less outstanding at June 30, 2005 when compared to 2004. The decrease for 2004 of $151 million when compared to 2003 is also due to a lower outstanding balance on the Advanced Funding Note program. Also included in current assets are cash and cash equivalents and accrued interest receivable.

Noncurrent assets consist primarily of investments and the long-term portion of the qualified obligations receivable of $2,864,688,549 for 2005, $2,633,556,458 for 2004 and $1,718,991,591 for 2003. These increases of approximately $231 million in 2005 and $915 million in 2004 are due primarily to additional loans made to qualified entities during the respective years exclusive of the Advanced Funding Notes and Reassessment and year end Warrant Assistance Programs.

Similarly, current liabilities are comprised of $884,954,186 for 2005, $1,283,285,708 for 2004 and $1,432,327,363 for 2003 of bonds and notes payable that will mature in the next year. The cause for the decrease in the current portion of bonds payable and notes payable is the same as the current portion of the qualified obligations receivable as explained above. Accrued interest payable and accounts payable are included in current liabilities as well. The long-term portion of bonds and notes payable of $2,933,539,356 for 2005, $2,692,704,914 for 2004 and $1,772,080,798 for 2003 represents the majority of noncurrent liabilities. Deferred revenues also are included in noncurrent liabilities.

Operating revenues consist of interest income earned on qualified obligations receivable and the related long-term investments in guaranteed investment contracts. The operating interest income for the year was 4.3% for 2005, 3.1% for 2004 and 3.9% for 2003 of the related investments. Also included in operating revenues are acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. These fees increased approximately $289,000 in 2005, decreased $76,000 in 2004 and increased $340,000 in 2003.

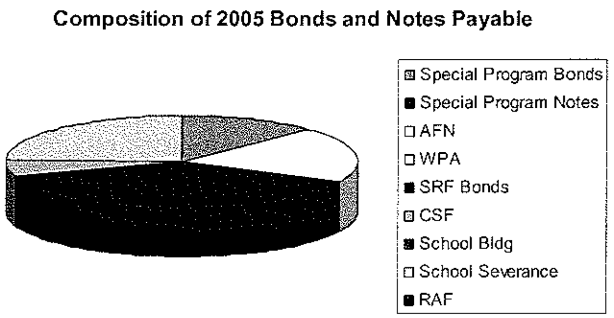
Operating expenses include interest expense on bonds and notes payable. Interest expense for the year represented 3.9% for 2005, 3.0% for 2004 and 3.7% for 2003 of the related bonds and notes payable balance. Also included in operating expenses is the amortization of debt issuance costs and general and administrative expenses such as management fees and arbitrage expense, as well as, expenses for the operating program such as professional fees, payroll and payroll related expenses.

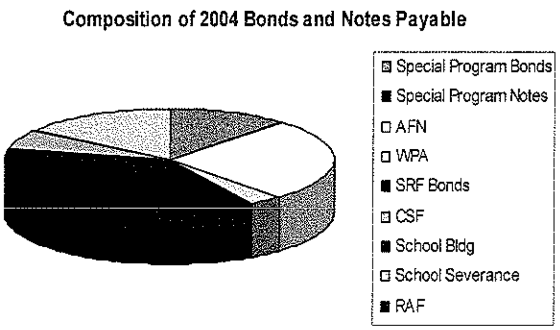
Net assets have increased in total approximately $846,500 from 2004. Net assets invested in capital assets increased approximately $1,500, net assets restricted for debt service increased approximately $248,000 and unrestricted net assets increased approximately $597,000. In comparison, net assets for 2004 decreased approximately $839,000 over 2003. Net assets invested in capital assets increased approximately $4,000, net assets restricted for debt service decreased approximately $870,000 and unrestricted net assets increased approximately $27,000.

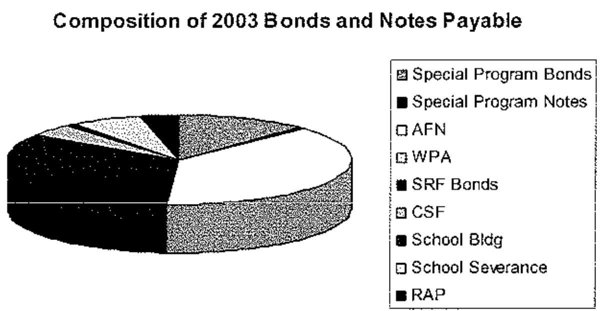
DEBT ADMINISTRATION

On the following page are three graphs depicting the composition of bonds and notes payable. The graph on the top details the composition of bonds and notes payable by program for 2005 and the graph on the bottom left depicts 2004 and the graph on the bottom right shows 2003. The composition by program has changed due to the new bonds issued during years. Below is a listing of the amount issued by program for the fiscal years ended June 30, 2005, 2004 and 2003:

Program	2005	2004	2003
Special Program	$ 44,065,000	$ 137,110,000	$ 160,765,000
Advance Funding Program	942,289,000	1,232,720,000	1,235,475,000
State Revolving Fund	-	513,115,000	141,765,000
Reassessment Assistance Program	-	27,660,000	116,575,000
School Severance Program	364,900,000	381,525,000	155,215,000
Common School Fund	-	143,445,000	-
Warrant Assistance Program	6,615,000	477,215,000	-







The Bond Bank's bond and note issues are rated A+ to AAA by the national rating agencies. The ratings are based on the financing program structure.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE OF THE BOND BANK

Currently there are no economic factors that will materially affect the Bond Bank in the future.

INDIANA BOND BANK
(A Component Unit of the State of Indiana)

Statements of Net Assets

June 30, 2005 and 2004

Assets	2005	2004
Current assets:		
Cash and cash equivalents (note 2)	$ 72,868,227	$ 36,816,713
Qualified obligations receivable (note 3)	802,501,541	1,219,505,264
Accrued interest receivable	58,279,667	44,737,352
Total current assets	933,649,435	1,301,059,329
Noncurrent assets:		
Investments, at fair value (note 2)	68,916,045	74,536,407
Qualified obligations receivable, net of current portion (note 3)	2,864,688,549	2,633,556,458
Deferred debt issuance costs, net of accumulated amortization of $16,592,454 in 2005 and $14,857,585 in 2004	33,680,825	30,888,506
Capital assets, net (note 7)	21,217	19,750
Total noncurrent assets	2,967,306,636	2,739,001,121
Total assets	3,900,956,071	4,040,060,450
Liabilities		
Current liabilities:		
Bonds and notes payable (note 4)	884,954,186	1,283,285,708
Accrued interest payable	69,238,990	51,288,215
Accounts payable	295,550	614,731
Total current liabilities	954,488,726	1,335,188,654
Noncurrent liabilities:		
Bonds and notes payable, net of current portion (note 4)	2,933,539,356	2,692,704,914
Deferred revenues	511,663	597,120
Total noncurrent liabilities	2,934,051,019	2,693,302,034
Total liabilities	3,888,539,745	4,028,490,688
Net Assets		
Invested in capital assets	21,217	19,750
Restricted for debt service	1,373,561	1,125,084
Unrestricted	11,021,548	10,424,928
Total net assets	$ 12,416,326	$ 11,569,762

See accompanying notes.

INDIANA BOND BANK
(A Component Unit of the State of Indiana)

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2005 and 2004

	2005	2004
Operating revenues:		
Interest income	$157,506,752	$122,071,712
Acceptance and administration fees	1,011,600	692,691
Total operating revenues	158,518,352	122,764,403
Operating expenses:		
Interest	150,237,549	115,853,144
Amortization of debt issuance costs	6,313,340	6,679,452
General and administrative	1,395,827	1,284,098
Total operating expenses	157,946,716	123,816,694
Operating income (loss)	571,636	(1,052,291)
Nonoperating revenues		
Interest income on investments	274,928	212,498
Total nonoperating revenues	274,928	212,498
Change in net assets	846,564	(839,793)
Net assets, beginning of year	11,569,762	12,409,555
Net assets, end of year	$ 12,416,326	$ 11,569,762

See accompanying notes.

INDIANA BOND BANK
(A Component Unit of the State of Indiana)

Statements of Cash Flows

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from interest, service fees and principal on program loans	$ 144,890,580	$ 119,700,714
Cash payments for loaned amounts	(132,996,378)	(109,697,896)
Cash payments to suppliers and employees	(999,514)	(866,818)
Net cash provided by operating activities	10,894,688	9,136,000
Cash flows from non-capital financing activities:		
Net proceeds from debt issuances	1,351,427,214	2,952,453,171
Debt issuance costs paid	(9,105,659)	(14,979,797)
Repayment of bonds and notes payable	(1,508,924,292)	(2,178,140,000)
Net cash provided (used) by non-capital financing activities	(166,602,737)	759,333,374
Cash flows from capital activities:		
Purchases of capital assets	(7,359)	(10,405)
Net cash used by capital activities	(7,359)	(10,405)
Cash flows from investing activities:		
Purchases of investments	(147,730,664)	(683,795,347)
Purchases of qualified obligations receivable	(1,497,341,036)	(2,751,568,415)
Interest received on investments	274,928	212,499
Maturities of investments	153,351,026	644,543,717
Maturities of qualified obligations receivable	1,683,212,668	1,985,914,121
Net cash provided (used) in investing activities	191,766,922	(804,693,425)
Net increase (decrease) in cash and cash equivalents	36,051,514	(36,234,456)
Cash and cash equivalents, beginning of year	36,816,713	73,051,169
Cash and cash equivalents, end of year	$ 72,868,227	$ 36,816,713
Supplemental disclosure of cash flow information:		
Interest received during the year	$ 143,964,437	$ 118,877,504
Interest paid during the year	132,286,774	109,153,505
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 571,636	$ (1,052,291)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Amortization of debt issuance costs	6,313,339	6,679,452
Depreciation	5,891	6,788
Changes in certain assets and liabilities:		
Accrued interest receivable	(13,542,315)	(3,554,175)
Accrued interest payable	17,950,775	6,699,639
Accounts payable	(319,181)	(133,898)
Deferred revenues	(85,457)	490,485
Net cash provided by operating activities	$ 10,894,688	$ 9,136,000

See accompanying notes.

(1) Summary of Significant Accounting Policies

Organization

Indiana Bond Bank (the Bond Bank), a component unit of the State of Indiana, was created by Senate Enrolled Act No. 97 (as amended) (the Bond Bank Act) of the Indiana General Assembly on July 1, 1984. The Bond Bank is an instrumentality of the State of Indiana but is not a State agency and has no taxing power. It has separate corporate and sovereign capacity and its Board of Directors is composed of the Treasurer of the State (who serves as Chairman of the Board, ex officio), the Director of Public Finance (who serves as director, ex officio) and five directors appointed by the Governor. Effective May 1, 2005, Senate Enrolled Act 578 changed the Board of Directors membership to include the Director of Public Finance and to remove from the Board of Directors, the Director of the Department of Financial Institutions. The Bond Bank has no oversight authority over any other entity.

The Bond Bank is authorized to buy and sell securities (see note 4 for statutory limitations) for the purpose of providing funds to Indiana qualified entities, as defined under the Bond Bank Act. Accordingly, the Bond Bank enables qualified entities to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. Certain financing agreements specify that any residual cash remaining at maturity or refinancing of a series is the property of the Bond Bank.

To achieve its purpose, the Bond Bank operates the following programs:

Special Program—Bonds issued to assist qualified entities with various long-term financing needs, primarily expansion of water and sewer systems.

Advance Funding Program—Notes issued to provide qualified entities with short-term cash flow financing during the periods of time prior to the semi-annual receipt of property taxes.

State Revolving Fund Program—Bonds issued to assist qualified entities in obtaining below market financing for water pollution control projects.

Common School Fund Program—Bonds issued to purchase outstanding advancements made from the State's constitutionally established Common School Fund to finance technology or construction costs. The proceeds replenish the Fund's balance, allowing the Indiana Department of Education to provide further financial assistance for Indiana school corporations.

School Building Program—Bonds issued to assist qualified entities with financing for school building construction, renovation and improvement projects.

School Severance Program—Bonds issued to assist qualified entities with financing for contractual retirement or severance liabilities.

Reassessment Assistance Program—Bonds issued to assist Indiana political subdivisions with financing for traditional cash flow deficits expected during the 2003 / 2004 fiscal years due to the court-mandated reassessment of real property in Indiana.

Year End Warrant Assistance Program – Notes issued to assist Indiana political subdivisions with financing for continued cash flow deficits during the 2004 fiscal year due to the court-mandated reassessment of real property in Indiana. These bonds were issued to fund outstanding amounts from the Reassessment Assistance Program.

Hoosier Equipment Lease Purchase Program—Bonds issued to assist qualified entities in obtaining low cost lease financing for certain vehicle and equipment purchases. The leases and related obligations are not reflected on the Bond Bank's financial statements as these are assigned to a bank.

Basis of Presentation

The financial statements of the Bond Bank have been prepared on the accrual basis of accounting and using the economic resources management focus. Accordingly, the Bond Bank recognizes revenue in the period earned and expenses in the period incurred. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

In accordance with Governmental Accounting Standards Board Statement (GASB) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Bond Bank has applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued subsequent to November 30, 1989.

Federal Income Taxes

The Bond Bank is exempt from federal income taxes under Internal Revenue Code Section 115.

Investments

Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2005 and 2004, market approximates cost. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net assets. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Cash Equivalents

The Bond Bank considers all investments in commercial paper, certificates of deposit, repurchase agreements, passbook savings and money market deposits with original maturities of three months or less to be cash equivalents.

Debt Issuance Costs

Costs associated with issuing debt, including original issue discounts and premiums, are deferred and amortized over the life of the respective debt issue on a basis that approximates a constant effective interest rate.

Deferred Revenues

Cash flows for certain issues are not spread evenly over the respective lives of the issues. To recognize the economic structure of these issues, certain revenues estimated to be earned through maturity of the related issue is recognized ratably from period to period. The Bond Bank receives acceptance and administration fees from qualified entities in connection with their various programs.

Defeasance of Debt

The Bond Bank considers debt to be defeased when cash or other assets are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a specific obligation. The related liability and assets held in trust for the related bonds are removed from the financial statements. See note 4 for outstanding principal balances on defeased debt outstanding.

Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of 3 years. The Bond Bank depreciates capital assets on the straight-line method over 3-10 years for office equipment.

Net Assets

The Bond Bank's resources are classified for accounting and financial reporting purposes into the following net asset categories:

- *Invested in Capital Assets*—resources resulting from capital acquisition, net of accumulated depreciation.
- *Restricted*—net assets subject to externally imposed stipulations as to use. These net assets are restricted under the related program's bond indentures.
- *Unrestricted*—net assets which are available for the use of the Bond Bank.

(Continued)

Operating and Nonoperating Revenues

Revenues are classified as either operating or nonoperating. Operating revenues consist of interest income earned on qualified obligations receivable and the related investments in guaranteed investment contracts and acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. All other items are considered nonoperating.

Reclassifications

Certain reclassifications were made to the 2004 financial statements to conform to the 2005 statement presentation.

(2) Cash and Investments

The Bond Bank Act permits funds to be invested as provided by resolutions of the Board of Directors or trust indentures executed by the Bond Bank. In addition to authorizing investments in qualified entities, these resolutions and trust indentures have authorized the Bond Bank to invest in obligations of the U.S. Treasury, U.S. agencies and secured and unsecured investment agreements. The Bond Bank has also been authorized to invest in commercial paper, certificates of deposit, repurchase agreements, passbook savings and money market deposit accounts.

The Bond Bank's cash and investments at June 30, 2005 are summarized as follows:

	Cost	Fair value
U.S. government agency obligations	$ 9,295,252	$ 9,295,252
Investments not subject to categorization:		
Money market funds	51,126,853	51,126,853
Commercial paper	493,184	493,184
Guaranteed investment contracts	68,916,045	68,916,045
Cash	11,952,938	11,952,938
Total cash and investments	$ 141,784,272	$ 141,784,272

The Bond Bank's cash and investments at June 30, 2004 are summarized as follows:

	Cost	Fair value
U.S. government agency obligations	$ 4,141,741	$ 4,141,741
Investments not subject to categorization:		
Money market funds	31,159,988	31,159,988
Guaranteed investment contracts	74,536,407	74,536,407
Cash	1,514,984	1,514,984
Total cash and investments	$ 111,353,120	$ 111,353,120

The above investments are restricted to repayment of bonds and notes payable issued under the respective programs (see note 4). Funds deposited under investment agreements with banks and insurance companies earn a fixed interest rate and generally expire upon extinguishment of the debt issues to which they relate. The Bond Bank's cash is insured in full by the combination of Federal deposit insurance and the Indiana Public Deposit Insurance Fund. Funds deposited under investment agreements with banks and insurance companies are unsecured.

As of June 30, 2005, the Bond Bank had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Guaranteed investment contracts	$ 68,916,045	33,177,373	5,270,000	1,165,204	29,303,468

Credit Risk Disclosure

The following table provides information on the credit ratings associated with the Bond Bank's investments at June 30, 2005:

Credit Ratings	**S&P**	**Fitch**	**Moody's**	**Fair Value**
Ambac GIC	AAA	AA	Aaa	$ 2,695,575
Bayern LB GIC	AAA	Unrated	Aaa	9,829,345
Ixis Funding Corp. GIC	Unrated	AAA	Aaa	34,677,507
MBIA, Inc. GIC	AAA	AA	Aaa	3,959,172
West LB GIC	Unrated	Unrated	Unrated	11,710,629
Trinity Plus Funding GIC	AAA	Unrated	Aaa	5,270,000
FSA Capital Management GIC	Unrated	Unrated	Unrated	9,311
GE Capital Corp. GIC	Unrated	Unrated	Unrated	764,506
Total Rated Investments				$ 68,916,045

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2005:

Ixis Funding Corp. GIC	50%
West LB GIC	17%
Bayern LB GIC	14%
Trinity Plus Funding GIC	8%
MBIA, Inc. GIC	6%

(3) Qualified Obligations Receivable

All of the qualified obligations receivable are held in safekeeping by trustees, are registered in the Bond Bank's name and are uninsured. All purchases of qualified obligations are authorized by the Board of Directors. Prior to being presented to the Board of Directors, an evaluation of each purchase is made by Bond Bank management and independent consultants. Repayment of these obligations by the qualified entities is funded by many sources, including property tax revenues and user fees.

In the event of default, the Bond Bank Act provides that certain qualified entities can, to the extent permitted by law, be required to levy tax or the Bond Bank may receive state funding to which the qualified entities are otherwise entitled. No qualified entity has defaulted on its obligation to the Bond Bank since inception of Bond Bank operations.

Included in qualified obligations receivable are tax anticipation warrants receivable purchased by the Bond Bank under the Advance Funding, Reassessment Assistance, and Year End Warrant Assistance Programs which amounted to $689,936,907 and $1,118,279,810 at June 30, 2005 and 2004, respectively. All of these warrants outstanding at June 30, 2005 mature on December 31, 2005. The warrants will be repaid from the qualified entities' property tax revenues.

At June 30, 2005 and 2004, qualified obligations receivable included $58,930,000 and $57,750,000, respectively, which is to be repaid from incremental property tax revenues. The ability of the qualified entities to realize these incremental property tax revenues is dependent upon certain economic developments occurring in the future. Furthermore, the Bond Bank does not have the remedies, as described above, available should the qualified entities default due to the realization of insufficient incremental property tax revenues. Management, however, believes the amount of these obligations to be fully collectible. Additionally, the Bond Bank executed letter of credit arrangements with a bank to further secure the related indebtedness to the Bond Bank bondholders (see note 4 and note 5).

As of June 30, 2005 and 2004, the Bond Bank's Board of Directors authorized the purchase and subsequent leasing of equipment totaling approximately $1,825,891 and $3,490,948, respectively, through the Hoosier Equipment Lease Purchase Program. These lease receivables and related obligations are not reflected in the financial statements as the leases and related obligations have been assigned to a bank and the Bond Bank has been legally released from the obligations.

(4) Bonds and Notes Payable

Bonds and notes payable at June 30 consist of the following:

Special Program Bonds:			2005	2004
Series 1994 A-1	(rates vary from 4.85% to 5.6% with maturities from August 1, 2004 to August 1, 2015)	$	—	5,865,000
Series 1994 A-2	(rates vary from 4.85% to 5.55% with maturities from November 1, 2004 to November 1, 2010)		—	7,615,000
Series 1995 A	(rates vary from 5.25% to 6.25% with maturities from August 1, 2004 to February 1, 2025)		—	3,315,000
Series 1995 B	(rates vary from 5.30% to 5.75% with maturities from February 1, 2006 to February 1, 2020)		10,185,000	10,615,000
Series 1997 A	(rates vary from 5.40% to 6.13% with maturities from February 1, 2006 to February 1, 2023)		5,190,000	5,385,000
Series 1997 C	(rates vary from 5.10% to 5.70% with maturities from August 1, 2005 to August 1, 2017)		4,540,000	4,780,000
Series 1997 D	(rate varies based on lowest available rate in interest period (weekly, monthly, quarterly, annually, or fixed) as selected by the qualified entity, not to exceed 10% per annum. Rate at June 30, 2005 was 1.15%, with maturities from January 1, 2006 to January 1, 2017) Rate at June 30, 2004 was 1.15%, with maturities from January 1, 2005 to January 1, 2017)		5,405,000	5,750,000
Series 1998 A	Refunding Bonds (rates vary from 4.30% to 4.75% with maturities from October 1, 2005 to October 1, 2011)		5,805,000	6,560,000
Series 1998 A	(rates vary from 4.1% to 5.0% with maturities from February 1, 2006 to February 1, 2020)		5,540,000	5,735,000
Series 2000 A	(rates vary from 5.25% to 6.13% with maturities from February 1, 2006 to February 1, 2025)		29,305,000	30,070,000
Series 2000 A	Refunding Bonds (rates vary from 5.25% to 6.4% with maturities from August 1, 2005 to February 1, 2020)		8,245,000	9,750,000
Series 2001 A	(rates vary from 4.25% to 5.13% with maturities from February 1, 2006 to February 1, 2022)		5,465,000	6,025,000
Series 2001 A	Refunding Bonds (rates vary from 5.0% to 5.5% with maturities from February 1, 2006 to February 1, 2022		15,720,000	17,020,000
Series 2001 B	(rates vary from 4.00% to 5.5% with maturities from February 1, 2006 to February 1, 2017)		8,070,000	8,570,000
Series 2001 C	(rate of 3.95% with maturities from July 15, 2004 to January 15, 2005)		—	395,000
Series 2002 A	(rates vary from 3.0% to 5.5% with maturities from October 1, 2005 to October 1, 2027)		40,545,000	41,715,000
Series 2002 B	(rate varies based on lowest available rate in interest period (weekly, monthly, quarterly, annually, or fixed) as selected by the qualified entity, not to exceed 10% per annum. Rate at June 30, 2005 and 2004 was 2.45% and 1.15%, respectively with maturities from January 1, 2006 to January 1, 2025)		5,690,000	5,750,000
Series 2002 C	(rates vary from 3.25% to 5.0% with maturities from February 1, 2006 to February 1, 2017)		3,005,000	3,430,000
Series 2002 D	(rates vary from 4.00% to 5.38% with maturities from April 1, 2006 to April 1, 2030)		56,630,000	57,790,000
Series 2002E	(rates vary from 2.40% to 5.25% with maturities from February 1, 2006 to February 1, 2023)		9,705,000	9,905,000
Series 2003 A	(rates vary from 2.75% to 5.25% with maturities from February 1, 2007 to February 1, 2033)		40,385,000	40,385,000
Series 2003 B	(rates vary from 2.0% to 5.0% with maturities from February 1, 2006 to February 1, 2023)		8,110,000	8,540,000
Series 2003 C	(rates vary from 2.0% to 5.0% with maturities from July 25, 2005 to January 1, 2016)		8,745,000	9,530,000
Series 2003 D	(rates vary from 3.0% to 5.0% with maturities from August 1, 2009 to February 1, 2025)		27,515,000	27,515,000
Series 2003 E	(rates vary from 2.0% to 5.0% with maturities from September 1, 2005 to September 1, 2025)		36,080,000	36,530,000

(Continued)

Special Program Bonds, continued:			
Series 2003 F	(rates vary from 2.0% to 6.25% with maturities from August 1, 2005 to February 1, 2024)	$ 16,230,000	17,475,000
Series 2004 A	(rates vary from 2.0% to 5.0% with maturities from January 15, 2005 to January 15, 2024)	17,050,000	17,210,000
Series 2004 B	(rates vary from 2.0% to 5.0% with maturities from February 1, 2006 to February 1, 2023)	17,265,000	17,590,000
Series 2004 C	(rates vary from 3.00% to 5.38% with maturities from February 1, 2007 to February 1, 2031)	35,010,000	35,010,000
Series 2004 D	(rates vary from 2.00% to 5.00% with maturities from February 1, 2006 to February 1, 2022)	29,275,000	—
Series 2005 A	(rates vary from 2.25% to 4.50% with maturities from August 1, 2005 to February 1, 2027)	14,790,000	—
Total Special Program Bonds		469,500,000	455,825,000
Special Program Notes			
Series 2004 A East Chicago	Special Program Note (rate of 2.0% with maturity on January 1, 2005)	—	12,440,000
		—	12,440,000
Advance Funding Program Notes:			
Series 2004 A	Midyear (interest rate of 2.5% maturing on January 26, 2005)	—	182,755,000
Series 2004 B	Midyear (interest rate of 2.7% maturing on January 26, 2005)	—	11,105,000
Series 2004 A	(interest rate of 2.00% maturing on January 25, 2005)	—	842,275,000
Series 2005 A	(interest rate of 3.25% maturing on January 26, 2006)	537,050,000	—
Series 2005 Lake	(interest rate varies from 2.79% to 2.84% and matures on January 4, 2006)	71,510,000	—
Series 2005	Midyear (interest rate of 3.50% maturing on January 27, 2006)	43,120,000	—
Series 2005 Lake	Midyear (interest rate of 3.20% maturing on January 4, 2006)	89,865,000	—
Total Advance Funding Program Notes		741,545,000	1,036,135,000
Warrant Program Assistance Notes:			
Series 2004	Replacement (interest rate of 1.7% maturing on December 1, 2004)	—	127,215,000
Series 2005	Replacement (interest rate of 3.50% maturing on December 31, 2005)	6,615,000	—
		6,615,000	127,215,000
State Revolving Fund Bonds:			
Series 1997 A	State Match (rates vary from 4.6% to 5.38% with maturities from February 1, 2006 to February 1, 2019)	63,750,000	65,660,000
Series 1997 A	Guarantee (rates vary from 4.88% to 6.00% with maturities from February 1, 2006 to February 1, 2019)	13,085,000	13,725,000
Series 1998 A	(rates vary from 4.1% to 5.0% with maturities from February 1, 2006 to February 1, 2020)	78,365,000	81,565,000
Series 2000 A	(rates vary from 5.00% to 5.88% with maturities from August 1, 2005 to August 1, 2022)	130,060,000	134,290,000
Series 2000 B	(rates vary from 5.00% to 5.35% with maturities from August 1, 2019 to August 1, 2023)	100,000,000	100,000,000
Series 2001 A	(rates vary from 3.60% to 5.50% with maturities from August 1, 2005 to February 1, 2023)	396,685,000	399,340,000
Series 2002A	(rates vary from 2.96% to 4.84% with maturities from February 1, 2006 to February 1, 2013)	62,090,000	69,670,000
Series 2002B	(rates vary from 4.0% to 5.38% with maturities from February 1, 2013 to February 1, 2024)	66,695,000	66,695,000
Series 2004 A	(rates vary from 1.74% to 3.98% with maturities from February 1, 2006 to February 1, 2012)	101,300,000	113,115,000
Series 2004 B	(rates vary from 4.0% to 5.0% with maturities from February 1, 2006 to February 1, 2025)	196,390,000	200,000,000
Series 2004 C	(rates vary from 5.0% to 5.25% with maturities from February 1, 2006 to February 1, 2027)	200,000,000	200,000,000
Total State Revolving Fund Bonds		1,408,420,000	1,444,060,000

(Continued)

Common School Fund Bonds:			
Series 1996 A	(rates vary from 5.20% to 5.75% with maturities from August 1, 2005 to August 1, 2013)	$ 4,960,000	6,910,000
Series 1999 A	(rates vary from 4.10% to 5.00% with maturities from February 1, 2006 to February 1, 2014)	33,260,000	39,610,000
Series 2001	(rates vary from 4.00% to 5.00% with maturities from February 1, 2006 to February 1, 2019)	39,530,000	46,285,000
Series 2003 A	(rates vary from 2.00% to 5.75% with maturities from August 1, 2005 to February 1, 2020)	21,705,000	28,925,000
Series 2003 B	(rates vary from 2.00% to 5.75% with maturities from August 1, 2005 to February 1, 2020)	107,490,000	107,895,000
Total Common School Fund Bonds		206,945,000	229,625,000
School Building Program Bonds:			
Series 1995 A	(rates vary from 5.3% to 5.8% with maturities from February 1, 2004 to February 1, 2008)	—	21,445,000
School Severance Program Bonds:			
Series 1	(rates vary from 4.34% to 6.30% with maturities from July 15, 2005 to January 15, 2018)	47,320,000	52,390,000
Series 2	(rates vary from 2.91% to 5.72% with maturities from July 15, 2005 to July 15, 2023)	30,525,000	31,415,000
Series 3	(rates vary from 2.85% to 5.85% with maturities from July 15, 2005 to January 15, 2023)	64,250,000	68,850,000
Series 4	(rates vary from 1.78% to 5.07% with maturities from July 15, 2005 to January 15, 2024)	47,545,000	49,955,000
Series 5A	(rates vary from 2.06% to 5.82% with maturities from July 15, 2005 to January 15, 2024)	176,225,000	184,730,000
Series 5B	(interest rate of 5.05% with maturities from July 15, 2005 to January 15, 2019)	14,525,000	15,160,000
Series 5C	(interest rate of 5.15% with maturities from July 15, 2005 to January 15, 2019)	3,825,000	3,950,000
Series 6A	(rates vary from 2.42% to 6.24% with maturities from July 15, 2005 to January 15, 2025)	162,995,000	162,995,000
Series 6B	(interest rate of 5.79% with maturities from July 15, 2005 to January 15, 2025)	14,690,000	14,690,000
Series 7A	(rates vary from 2.40 to 5.73% with maturities from July 15, 2005 to January 15, 2030)	107,675,000	—
Series 7B	(rates vary from 3.03% to 5.30% with maturities from July 15, 2005 to January 15, 2020)	12,885,000	—
Series 8A	(rates vary from 2.65% to 5.64% with maturities from July 15, 2005 to January 15, 2029)	136,920,000	—
Series 8B	(rates vary from 3.35% to 5.49% with maturities from January 15, 2007 to January 15, 2026)	70,540,000	—
Series 9	(rates vary from 2.68% to 5.53% with maturities from July 15, 2005 to January 15, 2026)	36,880,000	—
Total Taxable School Severance Bonds		926,800,000	584,135,000
Totals		3,753,210,000	3,910,880,000
Add net unamortized premium		63,204,254	70,491,237
Less deferred charge on refunding		(4,535,712)	(5,380,615)
Total bonds and notes payable		3,811,878,542	3,975,990,622
Less current portion		(884,954,186)	(1,283,285,708)
Noncurrent portion of bonds and notes payable		$ 2,926,924,356	2,692,704,914

(Continued)

The bonds and notes payable listed above were issued under respective indentures of trust. Each indenture requires the maintenance of various trust accounts, and several of the bonds and notes payable require debt service reserve accounts. Assets held in debt service reserve accounts are included in investments and amounted to $17,205,152 and $16,565,175 at June 30, 2005 and 2004, respectively.

The faith, credit and taxing power of the State of Indiana or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations. However, the following series of Bond Bank bonds are fully insured by a private insurer at June 30, 2005.

- Special Program Bonds
  - Series 1998 A (payments from February 1, 2009 through February 1, 2017)
  - Series 2001 Refunding
  - Series 2001 B
  - Series 2002 A
  - Series 2002 C
  - Series 2002 D
  - Series 2002 E
  - Series 2003 A
  - Series 2003 B
  - Series 2003 C
  - Series 2003 D
  - Series 2003 E
  - Series 2003 F
  - Series 2004 A
  - Series 2004 B
  - Series 2004 C
  - Series 2004 D
  - Series 2005 A
- Common School Fund Bonds
  - Series 1996 A
  - Series 1999 A
  - Series 2001 A
  - Series 2003 A & B
- Taxable School Severance Funding Bonds
  - Series 1
  - Series 2
  - Series 3
  - Series 4
  - Series 5 A, B & C
  - Series 6 A & B
  - Series 7 A & B
  - Series 8 A & B
  - Series 9

The Bond Bank is required under the trust indentures of certain series of Special Program Bonds to enter into letter of credit arrangements with banks in order to secure the indebtedness. The amounts eligible to be drawn and the renewal dates of these arrangements at June 30, 2005 are as follows:

Series	Eligible amount	Renews in fiscal year
1997 D	7,096,425	2006
2002 B	5,872,500	2006

Additionally, the Bond Bank was required under the trust indentures of certain series of bonds and notes payable to enter into line of credit arrangements with banks in order to secure the indebtedness. These line of credit arrangements are renewable each year.

The amounts eligible to be drawn under these arrangements at June 30, 2005 are as follows:

Series		Eligible amount
Advance Funding Program, Series 2005 A	$	69,816,500
Midyear Advance Funding Program, Series 2005 A		9,296,300
Special Program Bonds, Series 2002 A		3,185,294
Special Program Bonds, Series 2002 C		394,000
Special Program Bonds, Series 2002 D		4,115,638
Special Program Bonds, Series 2002 E		895,613
Special Program Bonds, Series 2003 A		2,701,399
Special Program Bonds, Series 2003 B		802,606
Special Program Bonds, Series 2003 D		2,531,875
Special Program Bonds, Series 2003 F-1 & F-2		1,537,104
Special Program Bonds, Series 2004 A		1,354,712
Special Program Bonds, Series 2004 B		1,505,794
Special Program Bonds, Series 2004 C		2,514,999
Special Program Bonds, Series 2004 D		2,599,927
Special Program Bonds, Series 2005 A		1,212,444

In the event of a draw on either a letter or line of credit facility, each borrowing will bear an interest rate based upon a series of optional rates as specified in the particular agreement. No draws were made against any debt service reserve account, letter, or line of credit facility during the years ended June 30, 2005 or 2004.

Maturities of long-term debt and interest are as follows:

	Principal	Interest
2006	$ 875,820,000	$ 169,446,154
2007	145,055,000	140,197,736
2008	143,190,000	134,730,047
2009	148,335,000	128,873,385
2010	157,415,000	122,408,719
2011 – 2015	861,215,000	496,482,741
2016 – 2020	819,150,000	283,095,922
2021 – 2025	523,300,000	89,660,008
2026 – 2030	76,575,000	11,804,234
2031 – 2034	9,770,000	840,403
	3,759,825,000	$ 1,577,539,349
Add unamortized premium	63,204,254	
Less deferred charge	(4,535,712)	
	$ 3,818,493,542	

Prior to July 1, 2000, the Bond Bank issued $35,000,000 of debt on behalf of seventeen not-for-profit qualified water utilities. At June 30, 2005 and 2004, the balance outstanding for these qualified water utilities totaled $13,024,809 and $27,300,495, respectively. Under the provisions of these debt issues, the bonds are payable solely from the revenues generated by the qualified water utilities. This debt does not constitute a general or moral obligation of the Bond Bank nor are debt service reserve funds maintained for these debt issues. The Bond Bank is not obligated in any manner for repayment of the bonds. For these reasons, the Bond Bank has not recorded these debt issues and the related utilities' obligations in the accompanying financial statements.

The Bond Bank is restricted by statute (IC 5-1.5-4-1(c)) to limit its total outstanding debt to $1,000,000,000. However, the statute allows for the exclusion of bonds and notes issued to fund the refunding of bonds or notes, as well as bonds, notes, or other obligations that are not secured by a reserve fund as defined by IC 5-1.5-5. Accordingly, the debt involving not-for-profit water utilities discussed above is not included when computing the Bond Bank's available debt limit. In addition, certain debt recorded in the Bond Bank's financial statements is not included in such a computation due to the provisions described in the statute.

A reconciliation of debt outstanding as reflected in the financial statements to the statutory debt limit is as follows:

Bonds and notes payable–face amount	$	3,759,825,000
Less: Debt recorded which does not require reserve funds		3,307,225,000
Debt outstanding for statutory debt limit purposes at June 30, 2005		452,600,000
Available remaining debt limit for statutory purposes		547,400,000
Statutory debt limit	$	1,000,000,000

Special Program Bonds Series 1985 A, and 1997 B are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal balances of approximately $38,740,000 and $42,405,000 at June 30, 2005 and 2004, respectively.

During 2005, the Bond Bank issued Special Program Bonds Series 2005 A in the amount of $14,790,000. A portion of the proceeds from this issue were used to refund Special Program Bonds Series 1995 A which were outstanding in the amount of $3,300,000. The cash flow difference between the debt service on the Special Program Bonds, Series 1995 A and the new debt is $426,602 and the economic gain is $22,840.

During 2004, the Bond Bank issued State Revolving Fund Program Bonds, Series 2004 A in the amount of $113,115,000. The proceeds were used to refund the State Revolving Fund Program Bonds, Series 1994 A and 1995 A (collectively referred to as the Refunded Bonds) in the amounts of $44,670,000 and $64,960,000, respectively. The cash flow difference between the debt service on the Refunded Bonds and the new debt is $28,332,770 and the economic gain is $15,664,047.

The Special Program Bonds, Series 2004 B was issued during fiscal year 2004 in the amount of $17,590,000. The proceeds were used to advance refund Special Program Bonds, Series 1997 B which were outstanding in the amount of $17,490,000. The cash flow difference between the debt service on the Special Program Bonds, Series 1997 B and the new debt is $4,410,277 and the economic gain is $2,726,977.

The Common School Fund Program Bonds, Series 2003 A was issued during fiscal year 2004 in the amount of $28,925,000. The proceeds were used to refund Common School Fund Program Bonds, Series 1993 A which were outstanding in the amount of $34,940,000. The cash flow difference between the debt service on the Common School Fund Program Bonds, Series 1993 A and the new debt is $2,039,555 and the economic gain is $2,028,934.

(continued)

During 2004, Special Program Bonds, Series 2003 F was issued in the amount of $18,330,000 and refunded $5,320,000 of Special Program Series 1993 A and $5,865,000 of Special Program Series 1994 B Bonds along with providing additional funds. The cash flow difference between the debt service on the Special Program Bonds, Series 1993 A and 1994 B and the new debt is $3,267,338 and the economic gain is $2,311,928.

Changes in the Bond Bank's long-term liabilities are as follows:

	Beginning balance	Increases	Decreases	Ending balance	Due within one year
2005					
Bonds and notes payable	$ 3,981,371,237	$ 1,364,530,302	$ 1,522,872,286	$ 3,823,029,253	$ 884,954,186
Less deferred amounts	5,380,615	228,930	1,073,834	4,535,711	—
	3,975,990,622	1,364,301,372	1,521,798,452	3,818,493,542	884,954,186
Deferred revenues	597,120	—	85,457	511,663	—
Total	$ 3,976,587,742	$ 1,364,301,372	$ 1,521,883,909	$ 3,819,005,205	$ 884,954,186
2004					
Bonds and notes payable	$ 3,205,606,145	$ 2,953,905,092	$ 2,178,140,000	$ 3,981,371,237	$ 1,283,285,708
Less deferred amounts	1,197,987	5,393,514	1,210,886	5,380,615	—
	3,204,408,158	2,948,511,578	2,176,929,114	3,975,990,622	1,283,285,708
Deferred Revenues	106,635	500,000	9,515	597,120	—
Total	$ 3,204,514,793	$ 2,949,011,578	$ 2,176,938,629	$ 3,976,587,742	$ 1,283,285,708

(5) Concentrations of Credit

The Bond Bank has qualified obligations receivable in counties throughout the State of Indiana. The largest concentrations of such receivables are with qualified entities in Marion, Lake and Hendricks counties which account for approximately $278,917,677 (7.66%), $222,737,440 (6.07%), and $144,194,379 (3.96%) of total qualified obligations receivable, respectively, at June 30, 2005. No other county has a concentration over 3.0% of the total qualified obligations receivable at June 30, 2005.

(6) Employee Benefits

The Bond Bank contributes to the Public Employees' Retirement Fund (PERF) of the State of Indiana, an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for State of Indiana employees and employees of the various subdivisions and instrumentalities of the State of Indiana. All employees of the Bond Bank participate in this plan. The Public Employees' Retirement Fund of the State of Indiana issues a publicly available financial report that includes financial statements and required supplementary information for the Bond Bank's plan. That report may be obtained by writing to Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204.

The plan is a contributory defined benefit plan. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions are met, an employee may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the employee's highest five years of employment earning. Employees who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit ranging from 44.0% to 98.8% of the pension benefit described above.

Employer contributions for the years ended June 30, 2005 and 2004 were $6,922 and $11,914, respectively. Covered payroll for the same periods amounted to $182,169 and $212,756, respectively. Separate information concerning the accumulated benefit obligation and actuarially determined benefit obligation is not material to the financial position of the Bond Bank and, accordingly, is not presented.

In addition, the employees contribute 3% of compensation to an annuity savings account. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system-wide fund for all members. Upon retirement, employees may elect a lump-sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive their balance in the savings account.

(7) Capital Assets

The total capitalized cost of capital assets at June 30, 2005 and 2004, was $104,247 and $96,888 with accumulated depreciation of $83,030 and $77,138, respectively. Depreciation expense of $5,891 and $6,788 for the years ended June 30, 2005 and 2004, respectively, was charged to operations. The depreciation policies followed are described in note 1.

Capital asset activity for the year ended June 30, 2005 is summarized below:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, being depreciated:				
Furniture, machinery and equipment	$ 96,888	$ 7,359	—	$ 104,247
Totals, capital assets being depreciated	96,888	7,359	—	104,247
Less accumulated depreciation	77,138	5,892	—	83,030
Total	$ 19,750	$ 1,467	—	$ 21,217

Capital asset activity for the year ended June 30, 2004 is summarized below:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, being depreciated:				
Furniture, machinery and equipment	$ 86,483	$ 10,405	—	$ 96,888
Totals, capital assets being depreciated	86,483	10,405	—	96,888
Less accumulated depreciation	70,350	6,788	—	77,138
Total	$ 16,133	$ 3,617	—	$ 19,750

(8) Operating Leases

The Bond Bank leases office space as well as office equipment under non-cancelable leases with terms in excess of one year. The following is a schedule of the future minimum rentals under the leases as of June 30, 2005:

		Payments
Year ending June 30:		
2006	$	30,737
2007		6,888
2008		6,888
2009		4,592
Total	$	49,105

In addition to the minimum lease payments, the Bond Bank is required to pay insurance, taxes and a proportional share of operating costs in excess of a basic level for the office space. The aggregate rental expense charged to operations was $50,965 and $44,089 for 2005 and 2004, respectively.

(9) Subsequent Events

Subsequent to June 30, 2005, the Bond Bank has closed two new Special Program bond issues, Series 2005 B (Town of Merrillville Redevelopment District) in the amount of $8,935,000 and Series 2005 C (City of Carmel) in the amount of $11,600,000. In addition, the Board approved pool applications for Dawn Lakes Conservancy District in an amount not to exceed $350,000 and for Charlestown Municipal Sewage Works in an amount not to exceed $4,000,000.

The Board of Directors has also authorized financing of equipment purchases amounting to $1,825,891 through the Hoosier Equipment Lease Program. Financing has occurred for $829,662 of the aforementioned amounts. Due to an immediate need on the part of the qualified entity, financing has also occurred for $187,420 of leases which have not yet been approved by the Board. However, those leases are expected to be ratified at the next meeting of the Board. The Bond Bank has not recorded these leases and their related obligations in their financial statements as the leases and related obligations have been assigned to a bank.

Also, as of the date of this report all of the $6,615,000 of Year End Warrant Program Assistance Notes of 2005 has been repaid by qualified entities.

The Indiana Finance Authority (Finance Authority) was reconstituted pursuant to amendments made to Indiana Code 4-4-11 et seq. The Finance Authority has, pursuant to resolution adopted on May 30, 2005 and P.L. 235-2005, assumed responsibility for operating and financing the State Revolving Fund Program (SRF) and further agreed to assume all existing agreements, obligations, duties and liabilities of the Indiana Bond Bank as issuer of the SRF Bonds. The SRF Bonds will be transferred to the Finance Authority and all future SRF Bonds will issued through the Finance Authority effective July 1, 2005.

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Supplemental Schedule of Net Assets Information by Program Type

June 30, 2005

Assets	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Severance Program	Warrant Assistance Program	Eliminations	Total
Current assets:									
Cash and cash equivalents	$ 5,759,980	$ 30,411,334	$ 11,309,048	$ —	$ 1,021,159	$ 24,345,723	$ 20,983	$ —	$ 72,868,227
Qualified obligations receivable	12,656,600	683,281,862	—	46,695,000	21,295,919	31,917,115	6,655,045	—	802,501,541
Accrued interest receivable	6,779,544	6,887,246	—	25,821,066	4,901,395	13,890,416	—	—	58,279,667
Interfund receivables	261,172	—	281,052	—	—	—	—	(542,224)	—
Total current assets	25,457,296	720,580,442	11,590,100	72,516,066	27,218,473	70,153,254	6,676,028	(542,224)	933,649,435
Noncurrent assets:									
Investments, at fair value	29,257,451	33,177,373	—	—	1,165,204	5,316,017	—	—	68,916,045
Qualified obligations receivable	420,894,034	—	—	1,388,598,573	192,064,386	863,131,556	—	—	2,864,688,549
Deferred debt issuance costs, net	8,446,033	851,428	—	11,261,206	2,206,485	10,915,673	—	—	33,680,825
Deferred acceptance and capital assets	—	—	21,217	—	—	—	—	—	21,217
Total noncurrent assets	458,597,518	34,028,801	21,217	1,399,859,779	195,436,075	879,363,246	—	—	2,967,306,636
Total assets	484,054,814	754,609,243	11,611,317	1,472,375,845	222,654,548	949,516,500	6,676,028	(542,224)	3,900,956,071
Liabilities									
Current liabilities:									
Bonds and notes payable	16,414,723	744,814,213	—	49,655,557	22,745,254	44,709,439	6,615,000	—	884,954,186
Accrued interest payable	7,962,778	8,858,226	—	25,821,066	4,032,684	22,564,236	—	—	69,238,990
Accounts payable	208,435	—	86,815	—	300	—	—	—	295,550
Interfund payables	538,878	—	—	—	—	3,346	—	(542,224)	—
Total current liabilities	25,124,814	753,672,439	86,815	75,476,623	26,778,238	67,277,021	6,615,000	(542,224)	954,488,726
Noncurrent liabilities:									
Bonds and notes payable, net of current portion	458,046,323	—	—	1,397,373,367	195,950,230	882,169,436	—	—	2,933,539,356
Deferred revenues	29,926	—	481,737	—	—	—	—	—	511,663
Total noncurrent liabilities	458,076,249	—	481,737	1,397,373,367	195,950,230	882,169,436	—	—	2,934,051,019
Total liabilities	483,201,063	753,672,439	568,552	1,472,849,990	222,728,468	949,446,457	6,615,000	(542,224)	3,888,539,745
Net Assets									
Invested in capital assets	—	—	21,217	—	—	—	—	—	21,217
Restricted for debt service	853,751	936,804	—	(474,145)	(73,920)	70,043	61,028	—	1,373,561
Unrestricted	—	—	11,021,548	—	—	—	—	—	11,021,548
Total net assets	$ 853,751	$ 936,804	$ 11,042,765	$ (474,145)	$ (73,920)	$ 70,043	$ 61,028	$ —	$ 12,416,326

See accompanying accountants' report

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Supplemental Schedule of Net Assets Information by Program Type

June 30, 2004

Assets	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Warrant Assistance Program	Eliminations	Total
Current assets:										
Cash and cash equivalents	$ 5,169,416	$ 2,271,895	$ 10,768,530	$ 1,363,512	$ 1,140,456	$ —	$ 16,102,904	$ —	$ —	$ 36,816,713
Qualified obligations receivable	25,648,481	991,050,779	—	37,233,068	22,544,316	675,000	15,124,589	127,229,031	—	1,219,505,264
Accrued interest receivable	6,437,998	4,400,683	—	22,511,009	5,443,855	511,725	5,432,082	—	—	44,737,352
Interfund receivables	—	—	281,052	—	—	—	—	—	(281,052)	—
Total current assets	37,255,895	997,723,357	11,049,582	61,107,589	29,128,627	1,186,725	36,659,575	127,229,031	(281,052)	1,301,059,329
Noncurrent assets:										
Investments, at fair value	21,348,780	51,004,088	—	—	2,148,916	—	34,623	—	—	74,536,407
Qualified obligations receivable	414,097,227	—	—	1,435,005,431	213,634,366	20,650,916	550,168,518	—	—	2,633,556,458
Deferred debt issuance costs, net	8,562,034	1,357,830	—	11,378,199	2,644,609	109,615	6,836,219	—	—	30,888,506
Deferred acceptance and capital assets	—	—	19,750	—	—	—	—	—	—	19,750
Total noncurrent assets	444,008,041	52,361,918	19,750	1,446,383,630	218,427,891	20,760,531	557,039,360	—	—	2,739,001,121
Total assets	481,263,936	1,050,085,275	11,069,332	1,507,491,219	247,556,518	21,947,256	593,698,935	127,229,031	(281,052)	4,040,060,451
Liabilities										
Current liabilities:										
Bonds and notes payable	27,984,989	1,041,631,859	—	39,169,422	24,368,390	671,074	22,244,974	127,215,000	—	1,283,285,708
Accrued interest payable	7,342,211	7,120,409	—	22,511,009	4,411,968	511,725	9,390,893	—	—	51,288,215
Accounts payable	330,901	197,040	72,610	—	1,099	—	—	13,081	—	614,731
Interfund payables	281,052	—	—	—	—	—	—	—	(281,052)	—
Total current liabilities	35,939,153	1,048,949,308	72,610	61,680,431	28,781,457	1,182,799	31,635,867	127,228,081	(281,052)	1,335,188,654
Noncurrent liabilities:										
Bonds and notes payable, net of current portion	444,612,374	—	—	1,446,484,245	218,865,814	20,763,606	561,978,875	—	—	2,692,704,914
Deferred revenues	33,940	—	552,044	—	—	11,136	—	—	—	597,120
Total noncurrent liabilities	444,646,314	—	552,044	1,446,484,245	218,865,814	20,774,742	561,978,875	—	—	2,693,302,034
Total liabilities	480,585,467	1,048,949,308	624,654	1,508,164,676	247,647,271	21,957,541	593,614,742	127,228,081	(281,052)	4,028,490,688
Net Assets										
Invested in capital assets	—	—	19,750	—	—	—	—	—	—	19,750
Restricted for debt service	678,469	1,135,967	—	(673,457)	(90,753)	(10,285)	84,193	950	—	1,125,084
Unrestricted	—	—	10,424,928	—	—	—	—	—	—	10,424,928
Total net assets	$ 678,469	$ 1,135,967	$ 10,444,678	$ (673,457)	$ (90,753)	$ (10,285)	$ 84,193	$ 950	$ —	$ 11,569,762

See accompanying accountants' report

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Supplemental Schedule of Revenues and Expenses Information by Program Type

Year ended June 30, 2005

	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Warrant Assistance Program	Total
Operating revenues:									
Interest income	$ 22,928,250	$ 16,158,527	$	$ 66,435,163	$ 8,838,933	$ 1,068,874	$ 38,905,998	$ 3,171,007	$ 157,506,752
Acceptance and administration fees	—	—	1,011,600	—	—	—	—	—	1,011,600
Total operating revenues	22,928,250	16,158,527	1,011,600	66,435,163	8,838,933	1,068,874	38,905,998	3,171,007	158,518,352
Operating expenses:									
Interest	21,520,956	13,849,755	—	64,746,260	8,371,460	948,081	37,717,382	3,083,655	150,237,549
Amortization of debt issuance costs	997,877	2,100,671	—	1,487,053	438,124	109,615	1,180,000	—	6,313,340
General and administrative	206,559	144,285	1,005,352	2,538	12,516	—	22,766	1,811	1,395,827
Total operating expenses	22,725,392	16,094,711	1,005,352	66,235,851	8,822,100	1,057,696	38,920,148	3,085,466	157,946,716
Operating income (loss)	202,858	63,816	6,248	199,312	16,833	11,178	(14,150)	85,541	571,636
Nonoperating revenues									
Interest income on investments	—	—	274,928	—	—	—	—	—	274,928
Total nonoperating revenues	—	—	274,928	—	—	—	—	—	274,928
Change in net assets before transfers	202,858	63,816	281,176	199,312	16,833	11,178	(14,150)	85,541	846,564
Transfers	(27,576)	(262,979)	316,911	—	—	(893)	—	(25,463)	—
Change in net assets	$ 175,282	$ (199,163)	$ 598,087	$ 199,312	$ 16,833	$ 10,285	$ (14,150)	$ 60,078	$ 846,564

See accompanying accountants' report

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Supplemental Schedule of Revenues and Expenses Information by Program Type

Year ended June 30, 2004

	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Reassessment Assistance Program	Warrant Assistance Program	Total
Operating revenues:										
Interest income	$ 20,454,609	$ 15,262,023	$ —	$ 56,073,706	$ 10,613,080	$ 1,309,836	$ 15,132,410	$ 1,189,661	$ 2,036,387	$ 122,071,712
Acceptance and administration fees	—	—	692,691	—	—	—	—	—	—	692,691
Total operating revenues	20,454,609	15,262,023	692,691	56,073,706	10,613,080	1,309,836	15,132,410	1,189,661	2,036,387	122,764,403
Operating expenses:										
Interest	19,369,368	12,334,689	—	55,775,272	9,606,036	1,266,777	14,616,642	850,116	2,034,244	115,853,144
Amortization of debt issuance costs	977,176	3,347,012	—	990,575	491,739	43,059	523,287	306,604	—	6,679,452
General and administrative	84,193	154,128	946,216	68,039	15,305	—	6,170	4,787	5,260	1,284,098
Total operating expenses	20,430,737	15,835,829	946,216	56,833,886	10,113,080	1,309,836	15,146,099	1,161,507	2,039,504	123,816,694
Operating income (loss)	23,872	(573,806)	(253,525)	(760,180)	500,000	—	(13,689)	28,154	(3,117)	(1,052,291)
Nonoperating revenues										
Interest income on investments	—	—	212,498	—	—	—	—	—	—	212,498
Total nonoperating revenues	—	—	212,498	—	—	—	—	—	—	212,498
Change in net assets before transfers	23,872	(573,806)	(41,027)	(760,180)	500,000	—	(13,689)	28,154	(3,117)	(839,793)
Transfers	—	475,931	71,667	—	(500,000)	—	—	(51,665)	4,067	—
Change in net assets	$ 23,872	$ (97,875)	$ 30,640	$ (760,180)	$ —	$ —	$ (13,689)	$ (23,511)	$ 950	$ (839,793)

See accompanying accountants' report